Agenda Date: 11/20/02
Agenda Item: 4F

*STATE OF NEW JERSEY*

*Board of Public Utilities*
*Two Gateway Center*
*Newark, NJ 07102*
*www.bpu.state.nj.us*

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| | TELECOMMUNICATIONS |
| IN THE MATTER OF THE PETITION OF )<br>GLOBAL CROSSING LTD. AND )<br>GC ACQUISITION LIMITED FOR )<br>APPROVAL OF THE TRANSFER OF )<br>CONTROL OF GLOBAL CROSSING LTD.'S)<br>NEW JERSEY OPERATING )<br>SUBSIDIARIES TO GC ACQUISITION )<br>LIMITED ) | ORDER OF APPROVAL<br><br><br><br><br><br><br><br>DOCKET NO. TM02090666 |

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 17, 2002, Global Crossing Ltd. (Debtor-in-Possession) ("GCL") and GC Acquisition Limited ("New GX" and, together with GCL, the "Petitioners") filed a petition with the Board requesting approval to transfer control of GCL's subsidiaries providing services in New Jersey (the "New Jersey-Licensed Subsidiaries") from GCL to New GX. Descriptions of the New Jersey Licensed Subsidiaries are in the Attachment. Petitioners also request authority to encumber the New Jersey-Licensed Subsidiaries' assets as part of a related loan transaction.

BACKGROUND

GCL is a global telecommunications company organized under the laws of Bermuda. Through its subsidiaries, including the New Jersey-Licensed Subsidiaries, GCL owns and operates a global Internet Protocol-based fiber optic network that spans approximately 75,800 route miles, five continents, 27 countries, and more than 200 major cities. New GX is a newly-formed company organized under the laws of Bermuda for the purpose of carrying out the transaction (the "Proposed Transaction") as described below. Currently, GCL is the sole shareholder of New GX. The Board has granted authority to two GCL indirect subsidiaries that operate in New Jersey. Global Crossing Local Services Inc., formally known as Frontier Local Services, Inc., was authorized to provide local and interexchange telecommunications services. See Order I/M/O the Petition of The Application of Frontier Local Services Inc., for Approval to Provide Local Exchange Services and Exchange Access Services throughout New Jersey, Docket No. TE99030204, dated October 15, 1999. Global Crossing North American Networks, Inc., formally known as Frontier Communications International, Inc. also formally known as RCI Long Distance, Inc., was authorized to provide InterLata services. See Order I/M/O The Petition of RCI Corp. for Approval of Initial InterLata Tariff, Docket No. TE85030250, dated April 12, 1985.

Petitioners seek approvals from the Board in connection with the Proposed Transaction intended to facilitate the reorganization of GCL and the New Jersey-Licensed Subsidiaries under Chapter

11 of the United States Bankruptcy Code and Bermuda insolvency law. The Proposed Transaction contemplates that GCL's assets and operations, including its ownership interests in the New Jersey-Licensed Subsidiaries, will be transferred indirectly to New GX. Upon consummation of the Proposed Transaction, New GX will become the new ultimate parent of the New Jersey-Licensed Subsidiaries.

Both Hutchison Telecommunications Limited ("Hutchison Telecom")[1] and Singapore Technologies Telemedia Pte Ltd ("ST Telemedia")[2] will invest $125 million in New GX. In exchange, each will obtain 30.75% of New GX's equity and voting power. Creditors of GCL and its debtor subsidiaries will obtain 38.5% of New GX's equity and voting power. Because GCL's reorganization plan has not yet been approved by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), it is not yet known which creditors will become shareholders of New GX common stock.[3] The creditors consist of a variety of banks, bondholders, other communications carriers, equipment vendors, and other secured and unsecured creditors. Petitioners do not expect that any single creditor will obtain a 10% or greater interest in New GX.

The Proposed Transaction also contemplates the issuance of stock options to the future management of New GX in an aggregate amount of up to 8% of New GX's fully diluted equity. The holdings of Hutchison Telecom, ST Telemedia, and the creditors would be diluted should the stock options be exercised.

New GX intends to issue $200 million in senior secured notes and $300 million in cash to those creditors. The notes are to be secured by the assets of various GCL subsidiaries, including the New Jersey-Licensed Subsidiaries, and will mature three years after issuance. These assets may also be subject to liens to secure a working capital facility. Petitioners state that the terms of the Proposed Transaction have been agreed upon by GCL, Hutchison Telecom, and ST Telemedia. Petitioners also state that the Bankruptcy Court and the Supreme Court of Bermuda have authorized GCL to enter into the Proposed Transaction.[4] Petitioners aver that the

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1 Hutchison Telecom is a Hong Kong company that holds worldwide telecommunications interests through a variety of operating subsidiaries. It is indirectly wholly owned by Hutchison Whampoa Limited ("HWL"), which is a diversified, publicly traded Hong Kong holding company. As of August 9, 2002, HWL had an equity market capitalization of HK$220.6 billion (US $28.28 billion). Hutchison Telecom and its operating subsidiaries do not provide telecommunications services in New Jersey or in any other U.S. jurisdiction.

2 ST Telemedia is a Singapore telecommunications and information technologies company. Through its subsidiaries, ST Telemedia provides fixed and mobile telecommunications, data, and Internet services, telephone equipment distribution, managed hosting, teleport, broadband cable and video, and e-business software development services in Singapore. ST Telemedia's subsidiary, StarHub, Inc., holds authority under Section 214 of the Communications Act of 1934, as amended to provide international services in the United States. ST Telemedia is a wholly-owned subsidiary of Singapore Technologies Pte Ltd, which, in turn, is a wholly-owned subsidiary of Temasek Holdings [Private] Limited. ST Telemedia is also is under indirect common ownership with Singapore Telecommunications Limited ("SingTel"), which directly or through subsidiaries provides a variety of domestic and international telecommunications services. Neither ST Telemedia nor Sing-Tel provides intrastate services in New Jersey.

3 A plan of reorganization was filed with the United States Bankruptcy Court, Southern District of New York, on September 16, 2002.

4 On January 28, 2002, GCL and certain of its subsidiaries, including the New Jersey-Licensed Subsidiaries, filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code. *In re Global Crossing Ltd., et al.*, Chap. 11 Case Nos. 02-40187 – 02-40241 (REG) Bankr. S.D.N.Y., Jan. 28, 2002). That same day, GCL and its Bermuda subsidiaries filed a petition for the appointment of joint provisional liquidators with the Supreme Court of Bermuda. On August 9, 2002, the Bankruptcy Court authorized GCL to enter into a Purchase Agreement to effectuate the Proposed Transaction.

Proposed Transaction is in the public interest. They state that the Proposed Transaction will enhance competition in New Jersey by strengthening the financial and competitive position of the New Jersey-Licensed Subsidiaries by enabling them to emerge from their current status in bankruptcy as stronger and more viable competitors. Petitioners also aver that the Proposed Transaction will not have a negative affect on telecommunications competition in New Jersey.

Petitioners furthermore do not expect that the current management and personnel of the New Jersey-Licensed Subsidiaries will change substantially upon closing of the Proposed Transaction. Petitioners also do not expect that the Proposed Transaction will have an adverse effect on employees of the New Jersey-Licensed Subsidiaries. Similarly, Petitioners do not anticipate that the Proposed Transaction will have an adverse affect on employee pension plans. Petitioners expect that, upon closing of the Proposed Transaction, the New Jersey-Licensed Subsidiaries' customers will continue to be served by qualified consumer representatives and will continue to receive telecommunications services at the same rates, terms and conditions offered by the New Jersey-Licensed Subsidiaries prior to closing. Petitioners thus state that the Proposed Transaction and its consummation will be transparent to the customers of the New Jersey Licensed Subsidiaries.

Petitioners have indicated that approval for this transaction has been received from Colorado, Delaware, Georgia, Maine, Ohio, Tennessee, and Vermont. Applications are pending in 19 states, including New Jersey. No states have denied the transaction.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board is convinced that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers. All services will continue to be provided to the Petitioners' New Jersey customers without interruption and pursuant to the same tariffs, contracts, rates, terms and conditions in existence prior to the transaction.

Accordingly, after careful review of this matter, the Board FINDS that the transaction will have no negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the transfer will have no negative impact on the provision of safe, adequate and proper service. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the transfer is in accordance with law and in the public interest. The Board HEREBY APPROVES the request by Petitioners for this transaction. The Board's approvals granted herein are subject to the following conditions:

1. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioners or any subsidiaries thereof, including the New Jersey Licensed Subsidiaries.

2. This Order shall not affect, or in any way limit the exercise of the authority of this Board, or of the State, in any future petitions or in any proceeding with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting the New Jersey Licensed Subsidiaries.

3. The Board does not hereby set a date by which the Proposed Transaction, including the related financings by New GX, must be consummated, and defers to the Bankruptcy Court in that regard.

4. The Petitioners shall notify the Board within ten (10) business days of the consummation of the Proposed Transaction.

5. Notwithstanding anything to the contrary in the documents executed pursuant to the financing arrangements approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:2-1 et seq., where applicable.

DATED: 11/22/02

BOARD OF PUBLIC UTILITIES
BY:

(signed)
JEANNE M. FOX
PRESIDENT

(signed)
FREDERICK F. BUTLER
COMMISSIONER

(signed)
CAROL J. MURPHY
COMMISSIONER

(signed)
CONNIE O. HUGHES
COMMISIONER

(signed)
JACK ALTER
COMMISIONER

ATTEST:

(signed)
KRISTI IZZO
BOARD SECRETARY